



Rate Review Requests for Information Responses

Submitted by: Mayor Leffingwell, Council Member Morrison, and Council Member Tovo

Submission Date: various

Answers Provided: June 5, 2012

Late Backup

Request from Mayor Leffingwell:

Develop for discussion a residential rate design with flatter tiers showing a 15% increase from the 2nd tier to the 5th tier.

AE Response:

The column labeled “Alternative 2012” Flat Tiers shows the change in tiers with a 15% increase from the 2nd tier to the 5th tier.

Residential Bill Components	Existing Rate	Flat Tiers		Moderate Tiers	Steep Tiers
		Alternative 2012	---Phase I--- 2012	---Phase I--- 2012	---Phase I--- 2012
Energy Charge (¢/kWh) – Summer Period (June-Sept)					
< 500 kWh (15% of bills)	3.55 ¢	5.3 ¢	5.3 ¢	3.5 ¢	3.3 ¢
501 – 1000 kWh (26% of bills)	7.82 ¢	7.1 ¢	6.6 ¢	7.7 ¢	6.5 ¢
1001 - 1500 kWh (25% of bills)	7.82 ¢	7.4 ¢	7.6 ¢	9.1 ¢	9.2 ¢
1501 – 2500 kWh (25% of bills)	7.82 ¢	7.8 ¢	8.4 ¢	11.0 ¢	12.3 ¢
> 2500 kWh (9% of bills)	7.82 ¢	8.2 ¢	8.6 ¢	11.4 ¢	13.9 ¢
Energy Charge (¢/kWh) – Non -Summer Period (Oct-May)					
< 500 kWh (40% of bills)	3.55 ¢	3.7 ¢	3.7 ¢	2.0 ¢	2.2 ¢
501 – 1000 kWh (37% of bills)	6.02 ¢	5.2 ¢	4.8 ¢	5.2 ¢	4.5 ¢
1001 - 1500 kWh (14% of bills)	6.02 ¢	5.5 ¢	5.9 ¢	7.2 ¢	6.6 ¢
1501 – 2500 kWh (7% of bills)	6.02 ¢	5.8 ¢	6.3 ¢	8.4 ¢	9.5 ¢
> 2500 kWh (2% of bills)	6.02 ¢	6.1 ¢	6.7 ¢	9.6 ¢	11.1 ¢
Average Monthly Bill Impact					
501-750 kWh (50% of bills)	\$54	\$77	\$67	\$59	\$58
Dollar Increase		\$23	\$13	\$5	\$4
Percent Increase		43%	24%	10%	8%
1000-1250 kWh (75% of bills)	\$106	\$126	\$117	\$113	\$109
Dollar Increase		\$20	\$12	\$8	\$3
Percent Increase		19%	11%	7%	3%
2501-3000 kWh (97% of bills)	\$274	\$295	\$301	\$332	\$343
Dollar Increase		\$21	\$27	\$59	\$69
Percent Increase		8%	10%	21%	25%

Question from Council Member Morrison:

How much revenue will be collected from the CAP charges, and is amount sufficient to fund the CAP program as proposed?



AE Response:

The commercial/industrial charge of \$0.65 per MWh is expected to recover \$3.84 million. The residential charge at \$1.5 per customer per month will collect \$6.1 million annually, for a total collection of approximately \$10 million annually. With \$1 million dedicated to supplemental weatherization of CAP customers, the balance will accommodate a discount (waiving the \$10 customer charge plus 10 percent) for more than 25,000 enrolled customers.

Questions from Council Member Tovo:

Street Lighting

1. Prior to this rate case, was Street Lighting and Traffic Signals (Street Lighting) its own rate class?

AE Response:

Yes.

2. Is it true that the City of Austin, along with other municipalities and street lighting customers, paid for this service?

AE Response:

That portion attributed to the City of Austin was paid by Austin Energy. The remainder was paid by the respective municipality.

3. Is AE's proposal to eliminate this tariff and rate class?

AE Response:

No. The energy attributed to the street lighting class will be billed to Austin Energy and paid by AE through the receipt of the community benefit charge.

The following table summarizes lighting customer classes and proposed rates.



YOUR ELECTRIC RATES

Bill Components	Service Area Street Lighting	Metered Lighting Customer-Owned Sports Lighting	Customer Owned Non-Metered Lighting	Austin Energy-Owned Outdoor Lighting			
				100 Watt High Pressure Sodium	175 Watt Mercury Vapor	250 Watt High Pressure Sodium	400 Watt Mercury Vapor
Customer Charge (\$/month)		\$ 15.00					
Energy Charge							
Summer (¢/kWh)	23.219 ¢	6.983 ¢	2.604 ¢				
Non-Summer (¢/kWh)	23.219 ¢	5.483 ¢	2.604 ¢				
Energy (\$/month)				\$ 7.03	\$ 12.05	\$ 18.07	\$ 28.12
Fuel Adjustment (¢/kWh)		3.284 ¢	3.284 ¢	3.284 ¢	3.284 ¢	3.284 ¢	3.284 ¢
Community Benefit Charges (¢/kWh)							
Customer Assistance Program		0.065 ¢	0.065 ¢				
Service Area Street Lighting		0.081 ¢	0.048 ¢				
Energy Efficiency Programs	0.000 ¢	0.000 ¢	0.000 ¢				
Regulatory Charge							
(¢/kWh)	0.092 ¢	0.316 ¢	0.094 ¢				

4. According to the rate filing, the proposed cost of service for Street Lighting is 10.6 million. If this rate class is eliminated and a per-kilowatt-hour charge for the Street Lighting, through the Community Benefit Charge, initiated, what is the cost allocated to each customer class bearing the burden of this charge?

AE Response:

Based on the December 19, 2011 Cost of Service Model, the allocation of Street Lighting expenses is:

Residential	\$	4,385,267
Secondary Voltage <10 kW	\$	434,829
Secondary Voltage 10-49.9 kW	\$	892,477
Secondary Voltage > 50 kW	\$	3,338,637
Primary Voltage <3 MW	\$	280,054
Primary Voltage 3-19.9 MW	\$	499,361
Primary Voltage > 20 MW	\$	585,105
Transmission Voltage	\$	132,681
AE-Owned Private Outdoor Lighting	\$	36,363
Customer Owned Non-Metered Lighting	\$	1,644
Customer Owned Metered Lighting	\$	7,967

5. Data Foundry has proposed that AE continue charging the existing Street Lighting customers for this service, and that this would result in a slightly lower rate increase due to including approximately \$5.8 million in test year revenue. Would reallocating the Street Lighting cost



of service of approximately \$10.6 million back to the City of Austin and other municipal and lighting customers reduce cost to the residential and other customer classes?

AE Response:

Yes, such a change would reduce costs to non-lighting classes by shifting the cost to the City of Austin General Fund and to the other municipalities served by Austin Energy.

6. Is it general practice for utilities to charge municipalities for street lighting?

AE Response:

In 2010, Navigant Consulting and its subcontractor (Fox, Smolen & Associates) reviewed Austin Energy's GFT in comparison to transfers of other municipal utilities to general government. The report found that municipally owned utilities (MOUs) in Georgetown, Lubbock, College Station and Springfield fund street lighting. MOUs in Denton, Orlando and Gainesville do not fund street lighting. CPS Energy deducts the costs of street lighting from the General Fund Transfer to the City of San Antonio.

In the 2010 American Public Power (APPA) survey of payments and contributions by public power systems to state and local governments, APPA found that 38.7% of the utilities surveyed provided free or reduced cost of service for street lighting.

7. If this class is removed, would municipalities outside the city limits but within the service territory still be sharing in the cost?

AE Response:

The street lighting class has not been removed. All customers share the costs through the community benefit charge.

Customer Assistance Program

8. What is the estimated revenue that would be generated from the \$1.50 fixed fee for CAP?

AE Response:

The estimated revenue generated from the \$1.50 Customer Assistance Program Charge is \$6.1 million from the Residential customer class.

9. What would be the estimated volumetric rate if this charge were shifted into the base rates?

AE Response:

Converting the Customer Assistance Program charge to a volumetric rate would result in a volumetric rate of approximately 0.1720 cents per kWh. This assumes that the 25,000



customers enrolled in the program would average 1,023 kWh per month and the customers would be exempt from the charge.

10. If a volumetric rate were established to generate revenue for CAP, could a rider be used as a mechanism to achieve desired revenue targets should base-rate generated revenue be insufficient?

AE Response:
Yes.

Off-System Sales

11. In our work session we reviewed this verbally, but a written response is appreciated. AE rate filing Table 3.3 reports approx \$44m in off-system sales for 2009. How much revenue annually was generated through off-system sales (or net settlements) for 2008, 2010 and 2011?

AE Response:
For FY 2008 and FY 2010, net off-system sales were \$41 million and \$16 million, respectively.

In FY 2011, net settlements were \$472 million. The nodal market began December 2010 during FY 2011.

Bad Debt

12. How much did Austin Energy allocate in the rate filing to the residential class for bad debt?

AE Response:
\$4,103,491.41

13. Was this amount adjusted in the test year for anticipated higher bad debt due to the impact of the rate increase? If so my how much?

AE Response:
\$907,555

14. Since the Council has proposed to mitigate the rate increase through lowering the revenue requirement, reducing the fixed fees and increasing the number of eligible customers for the CAP, will there be a reduction in the revenue requirement attributable to bad debt?

AE Response:
There would be a decrease of \$155,037.